

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015 / 2016 SESSION

DEC5018 – MICROECONOMICS

(Diploma Students Only)

11 MARCH 2016
3:00 p.m. – 5:00 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 9 pages only excluding the cover page.
2. Answer **ALL** questions for section A, B and C.
3. Answers for section A and B should be shaded on the OMR sheet provided.
4. For section B, shade "A" for **TRUE** and shade "B" for **FALSE**.
5. For section C, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (each question carries 1 mark).
Answers for this section should be shaded on the OMR form.

1. Which of the following is NOT one of the economics questions?
 - A. Why firms produce?
 - B. What to produce?
 - C. How to produce?
 - D. For whom is it produced?
2. Which of the following is NOT a topic of study in Macroeconomics?
 - A. The inflation statistics of Malaysia for year 2015.
 - B. The fluctuation of exchange rate between Ringgit Malaysia and Singapore Dollars for past 2 months.
 - C. The forecast of unemployment rate for Malaysia next year.
 - D. The effect of an increase in the price of RON97 on the demand for RON95.
3. _____ occur because of unlimited wants and scarcity.
 - A. Scarcity
 - B. Choices
 - C. Opportunity cost
 - D. Economics
4. A country has a _____ in an activity if that country can perform the activity at a lower opportunity cost than other country.
 - A. short run advantage
 - B. absolute advantage
 - C. comparative advantage
 - D. cost advantage
5. Mimi has an absolute advantage if she is _____ than others in baking cupcakes in an hour.
 - A. less productive
 - B. more productive
 - C. unattainable
 - D. attainable
6. Which of the following pair of goods are considered as substitute goods?
 - A. Toothbrush and toothpaste
 - B. Printer and toner
 - C. Smartphone and laptop
 - D. Cappuccino and Latte

Continued.....

7. When supply increases and no change in demand, the equilibrium price _____ and the equilibrium quantity _____.
- A. decreases; increases
 - B. decreases; decreases
 - C. increases; decreases
 - D. increases; increases
8. When government announced that price of sugar will increase 30% by next three months, the supply for sugar will _____ this month, and the supply curve for sugar will shift _____.
- A. decrease; rightward
 - B. decrease; leftward
 - C. increase; rightward
 - D. decrease; upward
9. Assuming printer and toner are complements, other things being equal, an increase in the price of printer will _____.
- A. increase the demand of toner
 - B. decrease the demand of toner
 - C. decrease the price of toner
 - D. increase the price of toner
10. According to the law of supply, both individual and market supply curves are drawn _____.
- A. vertical
 - B. horizontal
 - C. upward sloping
 - D. downward sloping
11. The price elasticity of demand can range between _____ and _____.
- A. 0; 1
 - B. -1; 1
 - C. negative infinity; infinity
 - D. 0; infinity
12. Which of the following is **NOT** one of the factors that influence elasticity of demand?
- A. The closeness of substitutes
 - B. The time elapsed since a price change
 - C. The proportion of income spent on the good
 - D. The price of the good

Continued.....

13. If a 6% increase in price causes a 5% decrease in quantity demanded, the price elasticity of demand is _____.
A. 0.83
B. 0.30
C. 0.60
D. 1.20
14. James started his bakery business last year. The selling price of the bread is RM4 each, he has sold 12,000 pcs of bread. The implicit cost was RM14,000 and explicit cost was RM20,000. What was James's economic profit?
A. RM14,000
B. RM28,000
C. RM34,000
D. RM42,000
15. Which of the following is an example of explicit cost?
A. Part time salary that Haziq has to sacrifice while he is studying in MMU.
B. Hugo made a payment to Nissan for purchasing a van for his business.
C. Interest rate from fixed deposit placement that Ann needs to forego due to she withdrew the fixed deposit before maturity for the purpose of purchasing equipment for her new business.
D. Salary foregone by Madam Lee who was previously a lecturer but now an entrepreneur operating her own business.
16. Input whose quantities that varies as output changes in long run is called _____ input.
A. variable
B. fixed
C. total input
D. marginal
17. Which of the following can be best considered in monopolistic competition market?
A. Stock market
B. Hospitals
C. Tenaga Nasional Berhad
D. Restaurants
18. There are few firms which are interdependent selling either homogenous or differentiated product in a(n) _____ market.
A. perfect competition
B. monopolistic competition
C. monopoly
D. oligopoly

Continued.....

19. Profit is the factor price for _____.
A. land
B. labor
C. entrepreneurship
D. capital
20. _____ consists of the tools, instruments, machines, buildings, and other constructions that have been produced in the past and that businesses now use to produce goods and services.
A. Capital
B. Entrepreneurship
C. Land
D. Labor

[TOTAL 20 MARKS]

SECTION B: TRUE/FALSE QUESTIONS (each question consists of 1 mark).

Answers for this section should be shaded on the OMR form.

Mark "A" for the TRUE statement and "B" for the FALSE statement.

21. Inferior goods are inexpensive goods that usually heavily consumed by the poor.
22. "Goods and Services taxes should be lower to reduce burden of all", this is a normative statement.
23. A point that falls inside a PPF is unattainable and inefficient.
24. An inward shift of PPF represents economic growth.
25. Skilled workers are one of the factors of production.
26. Opportunity cost is also known as the cost of the next best alternative forgone.
27. In a mixed economy, government is allow to intervening in the economy decisions.
28. Demand curve shows the boundary between those combinations of goods and services that can be produced and those that cannot.
29. If the number of semiconductor producing phone memory chips increases, then the supply of phone memory chips increases too.

Continued.....

30. Steel is made from iron. If the price of iron increases, the supply of steel decreases.
31. Income is one of the factors that will influence the supply of a product.
32. Perfectly elastic demand curve has a vertical demand curve.
33. When OneStar Café sells its chicken burger value set at RM10 each, the quantity supplied will be 1000 units. When the price increase to RM11 each, the quantity supplied has also increased to 1200 units. The supply of chicken burger value set is elastic.
34. Total utility is the total satisfaction a person gets from the consumption of goods. Generally, more consumption gives less total utility.
35. The consumer's best affordable choice is lie on the budget line and highest attainable indifference curve.
36. Perfect competitive market is a market consists of many firms that each must accept the price set by the forces of market demand and supply.
37. Firms in perfect competitive market will only earn normal profit in the long run.
38. Monopoly firms face competitive competition because there are many substitutes for its product in the market.
39. In monopolistic competitive market, each firm produces product in some way different from other competing firms.
40. A copyright is granted by government, giving an inventor the exclusive right to sell a new product for some period.

[TOTAL 20 MARKS]

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SECTION C: STRUCTURED QUESTIONS**Answer ALL questions. Answers should be written on the answer booklet provided.****QUESTION 1**

Exhibit 1 shows the demand and supply schedules for cupcakes in Melaka. Answer the following questions.

Price (RM per box)	Quantity demanded	Quantity supplied	Total Market
20.00	A	210	510
22.50	275	B	505
25.00	C	D	500
27.50	220	270	E
30.00	200	300	500

Exhibit 1

- Calculate the value for A, B, C, D, and E.
(Note: Equilibrium price is RM25.00) (5 marks)
- Describe the situation in the cupcakes market if the price were RM22.50 per box. (1 mark)
- Describe the situation in the cupcakes market if the price were RM27.50 per box. (1 mark)
- If the population of Melaka is increasing, what will be the effect to the cupcakes market in Melaka? Explain your answer by illustrate graphically. (3 marks)

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QUESTION 2

With the increase of petrol price, the price of flight ticket increased by 20 percent and the quantity demanded decreased by 2 percent, with no change in the price of hotel, the quantity demanded of hotel increased by 10 percent. Use this information to answer the following questions.

- Calculate the price elasticity of demand for flight ticket. (3 marks)
- Is the demand for flight ticket elastic or inelastic? Why? (2 marks)
- Calculate the cross elasticity of demand of hotel with respect to the price of flight ticket. (3 marks)
- Are flight ticket and hotel substitutes or complements? Why? (2 marks)

QUESTION 3

Syafiq enjoys swimming and cycling. Exhibit 2 shows the marginal utility (MU) he obtains from each activity. Syafiq has RM35 to spend. Each swimming pool usage will be charged for RM10 an hour and bicycle rents for RM5 an hour.

Hours per day	MU from Swimming	MU from Cycling
1	120	40
2	100	36
3	80	30
4	60	22
5	40	12
6	12	10
7	10	8

Exhibit 2

Based on Exhibit 2,

- Calculate Syafiq's marginal utility per price from swimming and cycling. (7 marks)
- How long should Syafiq spend on swimming and cycling in order to maximise his utility? Why? Show your workings. (3 marks)

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QUESTION 4

Janice is doing part time job during school holidays and she is earning RM250 a week. She spends all this income on meals and movies. The price of a meal is RM25 and the price of a movie is RM10.

- Compute Janice's real income in terms of meals. (1 mark)
- Compute Janice's real income in terms of movies. (1 mark)
- Draw a budget line for Janice with meals on the vertical-axis and movies on the horizontal-axis. (3 marks)
- Calculate the slope of Janice's budget line. (2 marks)
- If Janice spends her income for 5 movies, then how many meals that she can enjoys with the budget in order to be in equilibrium? Show your workings. (3 marks)

QUESTION 5

Suppose that a perfectly competitive firm has the cost schedule as shown in *Exhibit 3*.

Output per week	Total costs (RM)	Total Variable Cost (TVC) (RM)	Average Variable Cost (AVC) (RM)	Average Total Cost (ATC) (RM)	Marginal Costs (MC) (RM)
-	100	-	-	-	-
1	150				
2	175				
3	190				
4	210				
5	240				

Exhibit 3

Copy the table and fill up the columns for total variable cost (TVC), average variable costs (AVC), and marginal cost (MC) in the answer booklet provided. (10 marks)

Note: 0.5 mark for each cell.

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QUESTION 6

- a) List **four (4)** characteristics of monopoly market. (4 marks)
- b) Price discrimination is a common situation in monopoly market. Briefly explain **three (3)** types of price discrimination with an example for each type. (6 marks)

[TOTAL 60 MARKS]

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